

Top Secret 184

(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday May 20, 1976

CI NIDC 76-119C

State Department review completed

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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25X1 National Intelligence Daily Cable for Thursday May 20, 1976.

[REDACTED] The NID Cable is for the purpose of informing senior US officials.

LEBANON

25X1 [REDACTED] Leftist leader Kamal Jumblatt finally met with Lebanon's president-elect Ilyas Sarkis yesterday, after nearly two weeks of preliminary negotiations between their representatives. According to press reports, the meeting, which apparently included Palestinian chief Yasir Arafat, produced a tentative agreement on a new cease-fire.

25X1 [REDACTED] Jumblatt said in a statement last night that he had not officially accepted the truce proposal and that final approval had to await a meeting of leftist representatives. [REDACTED]

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25X1 [REDACTED] We have not yet received details of the agreement. Press reports assert that Sarkis guaranteed Christian adherence to the truce and promised that President Franjiah would resign if the cease-fire holds for eight days. According to the press, the truce is supposed to go into effect by tomorrow.

25X1 [REDACTED] Phalangist leader Pierre Jumayyil--who has recently been cooperating closely with Syria--announced yesterday that he would go along with the dialogue proposal, but he made it clear that he is skeptical of the leftists' ultimate intentions.

25X1 [REDACTED] Neither Interior Minister Shamun nor President Franjiah has made any official comment on the cease-fire agreement. The Christian offensive in the mountains east of Beirut has been directed primarily by Shamun and Franjiah, and their willingness to halt the fighting there will be critical to the success of the truce agreement.

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[] Heavy fighting continued in the mountain area yesterday, despite the press announcement of the truce. Neither side has made any significant territorial advances in the past few days, and the Christian drive to gain access to the eastern city of Zahlah appears to be blocked. The high casualties the Christians have suffered may help persuade Shamun and Franjiyah to accept the cease-fire--at least temporarily.

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[] Jumblatt's decision to deal with Sarkis directly is, in effect, a belated acceptance of Sarkis' election. This should improve the prospects for the truce. Jumblatt's refusal to meet with top Christian leaders and his more recent refusal to deal directly with the Syrians have been major impediments to negotiations.

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SYRIA-EGYPT

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[] The meeting between Egyptian and Syrian prime ministers scheduled to begin in Riyadh yesterday was postponed without explanation at the last minute.

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[] An Egyptian news service report indicates that the postponement followed a telephone conversation between President Sadat and Saudi King Khalid, suggesting that the delay was at Cairo's initiative.

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[] The Saudi and Kuwaiti foreign ministers are scheduled to arrive in Cairo on Saturday, presumably to try to get the meeting back on track. The Kuwaiti foreign minister said yesterday he believed the meeting would open late next week.

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[] Sadat may intend to demonstrate his firmness on Egypt's refusal to discuss the Sinai agreement by refusing to meet with the Syrians unless he receives assurances that the subject will not be raised.

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USSR

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[redacted] The Daily presents the key judgments of the CIA report entitled "Estimated Soviet Defense Spending in Rubles, 1970-1975." This report, the latest in a series of publications on Soviet ruble outlays for defense programs, presents a major revision of past estimates.

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[redacted] the new estimates should be viewed as interim and subject to change as the work progresses.

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[redacted] Analysis of new evidence has resulted in a major upward revision in the estimate of the level and trend of Soviet ruble outlays for defense. The new estimate is about twice the previous estimate of total ruble spending for defense in 1975.

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[redacted] We now estimate that Soviet spending for defense--as defined in US budgetary accounts--grew from about 40 to 45 billion rubles in 1970 to about 50 to 55 billion rubles in 1975, measured in constant 1970 prices.

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[redacted] Under a broader definition--one which the Soviets might use to account for their defense effort--we estimate defense spending at about 45 to 50 billion rubles for 1970 and about 55 to 60 billion rubles for 1975.

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[redacted] Defense spending in rubles is now estimated to have increased at an average annual rate of 4 to 5 percent over the period rather than 3 percent per year, reflecting largely the deployment phase of the new generation of strategic missile programs.

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[redacted] change in our understanding of ruble prices and costs accounts for about 90 percent of the increase.

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[] Changes in national intelligence estimates of the size of Soviet forces and the addition of costs of some activities which previously were not included explicitly in our estimates--for example, preinduction military training and outlays for utilities--account for the remaining 10 percent of the increase.

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[] The revised estimate of the ruble costs of Soviet defense has had a major effect on some important intelligence judgments but not on others. Specifically, because the changes are largely the result of estimates of higher ruble prices rather than discovery of larger programs, the revised estimate:

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[] Does not affect our appraisal of the size or capabilities of Soviet military forces. []

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[] Does not have an important effect on our estimates of the dollar cost of reproducing Soviet defense programs in the US. We estimate the cost of reproducing 1975 Soviet defense programs in the US at about \$114 billion (1974 prices), some 40 percent higher than comparable US authorizations in 1975.

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[] The new estimates do alter significantly our perceptions about the economic implications of Soviet defense programs:

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[] Since 1970, defense requirements have been absorbing some 11 to 13 percent of Soviet gross national product (GNP), depending on the definition of defense that is employed. Previously, we had estimated that defense took some 6 to 8 percent of GNP.

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[] The Soviet defense industries are far less efficient than formerly believed.

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[] The defense effort now takes about one third of the annual output of the machinery sector of the Soviet economy.

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[] Because the resource impact of the defense effort on the Soviet economy has been considerably greater than we previously recognized, we now realize that Soviet leaders have been more willing than we thought to forgo economic growth and consumer satisfaction in favor of military capabilities. Nevertheless, we see no evidence that economic considerations are deterring the Soviets from continuing the present pace and magnitude of their defense effort. Indeed, intelligence has already provided indications that a number of costly new programs are under way. Much work remains to be done, however, in assessing the implications of our new estimates for future Soviet policy decisions.

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PORTUGAL

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[] Portuguese Socialist leader Mario Soares appears to have made substantial progress toward a post-election arrangement with the two rival democratic parties by playing on their desire to minimize Communist Party influence in the next government.

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[] Francisco Sa Carneiro, chief of the Popular Democratic Party, says he and Soares recently held an amicable meeting to discuss future cooperation in parliament. The fiery Popular Democrat, a one-time opponent of Soares' plan to form a minority Socialist government, now says he has promised his party's "quiet cooperation."

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[] Sa Carneiro singled out Portugal's controversial land reform program as a possible future stumbling block but assured Soares that he would support Socialist measures in such crucial policy areas as the economy, labor, and government administration. He stressed, however, that Soares could not expect "systematic" Popular Democratic support of government policies.



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[REDACTED] //The Soares - Sa Carneiro meeting is part of a continuing Socialist dialogue with the Popular Democratic Party and the center-right Social Democratic Center to pave the way for a viable government. The Socialists say one of their main arguments has been that they could be forced into the arms of the Communists if they do not have legislative support from the democratic parties.//

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[REDACTED] //The talks so far seem to suggest that the two parties are increasingly inclined to rally behind key Socialist policies and programs, although the details will still have to be worked out in the legislature on a case-by-case basis.//

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USSR-MOZAMBIQUE

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[REDACTED] The USSR is using the state visit of Mozambican President Machel to strengthen its already good relations with Mozambique and to reaffirm Soviet support for "liberation" struggles in southern Africa.

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[REDACTED] At the welcoming banquet, President Podgorny affirmed Moscow's record of support for African "liberation" struggles and pledged Soviet support for revolutionary movements against Rhodesia, South Africa, and Pretoria's control of Namibia. Podgorny denounced charges that support for armed struggles is inconsistent with "detente," asserting that improved East-West relations can actually accelerate the "liberation" process.

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[REDACTED] Podgorny implied that the USSR was prepared to continue to make military aid available to "liberation" forces in southern Africa.

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[REDACTED] Machel called aid from the USSR and other Communist states a decisive factor in the international revolutionary struggle and said that Mozambique hopes to establish "model" relations with the USSR.

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[REDACTED] Machel held private talks during his visit with General Secretary Brezhnev, Podgorny, Foreign Minister Gromyko, and party secretary Ponomarev. A brief Tass announcement said that these talks had been "friendly and constructive," and indicated that bilateral relations would be expanded further.

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[REDACTED] Tass made no mention of new Soviet military or economic aid for the Machel government or for the Rhodesian insurgents based in Mozambique, but this subject surely was high on the agenda.

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[REDACTED] We know, for example, that Machel met with Moscow's foreign aid chief Skachkov, presumably to seek economic assistance to help to cover the losses in income caused by Mozambique's action in closing its border with Rhodesia. While Machel apparently did not meet with Soviet military officials, he almost certainly reviewed with Kremlin leaders any military aid matters that were covered by Defense Minister Chipande, who was in Moscow late last month.

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SPAIN

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[] The firm position taken by the Spanish government appears to have sapped much of the strength from the rightist effort to protest political liberalization.

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[] The rally scheduled for Madrid today by the rightist National Confederation of Veterans has reportedly been rescheduled for the Valley of the Fallen, some distance from the city where it will have considerably less impact. The interior ministry had refused permission to hold the rally in Madrid, citing the risks to public order and the impropriety of demonstrations in connection with the six-month anniversary of Franco's death. The government suggested that the group pay its respects at Franco's tomb instead.

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[] The impact of rightist criticism expressed last week in a petition signed by more than 100 deputies was diminished when it was learned that three of the reputed signatories are dead and that another signature was obtained under false pretenses. The press indicated that at least 17 others will withdraw their signatures.

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[] The signatories represent only a small group in the Cortes. Even without the withdrawals, it is doubtful that the group could have mustered sufficient strength to prevent the passage of the reforms in parliament.

(C) According to a key member of the government commission on constitutional reform, the reform measures are likely to go through the required review by the National Council without substantive change and to be adopted by the Cortes with only slight modifications. Other government figures have expressed similar confidence. []

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INDIA-CANADA

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[] //Canada's decision, announced on Tuesday, not to resume nuclear assistance to New Delhi is likely to prompt India to resume nuclear testing, but we do not know when. India was apparently prepared to postpone a second test as long as there appeared to be a chance that Ottawa would resume aid.//

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25X1 [] Canada suspended its aid for the development of two nuclear reactors after India's first test in May 1974. The Canadian action on Tuesday involved rejection of an agreement to resume Canadian aid, which was initialed in New Delhi last March.

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25X1 [] The action may indicate a hardening attitude by Ottawa toward safeguards with countries like Pakistan, Argentina, South Korea, and Taiwan.//

25X1 [] After the first test, Indian leaders repeatedly said that additional tests would be conducted following analysis of the 1974 test. The chairman of the Indian Atomic Energy Commission said last February the analysis had been completed.

25X1 [] Prime Minister Indira Gandhi may decide to put off the next test because it could jeopardize implementation of an agreement with Pakistan signed last week to restore diplomatic relations and transportation links by late July. The first Indian test caused concern in South Asia, particularly in Pakistan.

25X1 [] //New Delhi may also calculate that a test in the near future might have an adverse affect on forthcoming hearings by the US Nuclear Regulatory Commission on the release of badly needed fuel for an Indian power reactor.// []

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ROMANIA

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[] //Rumors in Bucharest have Romania calling up reservists because of increased Soviet pressure. These rumors have led to some panic buying.//

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[] There is no evidence that a general mobilization of Romanian forces is in progress. Regular spring field training exercises are under way in eastern Romania, and others are scheduled for the end of this month. Some reservists may have been recalled to participate in these maneuvers.

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[] //US diplomats in Bucharest have heard rumors of abrupt, unscheduled recalls of reservists throughout the past week, and have confirmed several call-ups. According to the rumors, troops have moved eastward toward Moldavia and the Dobrudja. Some rumors have Romania fearing imminent Soviet military intervention massing troops along its northern and eastern borders.//

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[] //We have seen no indication of any unusual Soviet military activity along the Romanian border.//

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[REDACTED] //We cannot rule out the possibility that Soviet propaganda specialists are also circulating these rumors to heighten Romanian nervousness.//

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[REDACTED] President Ceausescu, when faced with increased pressure from Moscow, in the past has exaggerated the Soviet menace in order to strengthen Romanian resolve and to assert national unity. Current rumors thus may stem from overzealous party activists.

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[REDACTED] If the panic buying threatens to get out of hand, Ceausescu will act immediately to calm the country, even to the extent of backing away from his highly nationalistic, anti-Soviet campaign. On the other hand, signs of unusual Soviet military activity along the border probably would result in the strongest show of Romanian national unity since the invasion of Czechoslovakia in 1968.

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USSR-E. GERMANY

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[REDACTED] Speaking to the East German party congress yesterday, senior Soviet ideologist Suslov confined himself to ritual praise for his hosts and uncharacteristically restrained warnings against those who would undermine "detente" and the loyalty of communist parties to Moscow.

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[REDACTED] Suslov, a full Politburo member, spoke briefly on threats to improved East-West relations, as did the Soviet officials who spoke to the party congresses in Bulgaria and Czechoslovakia earlier this spring. He warned that a league of "American hawks, West German revanchists, and Maoists" is playing a dangerous game in seeking to return to the cold war and that it is up to responsible people in the East and West to safeguard recent improvements in East-West relations.

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[redacted] In similar vein, Suslov devoted a few lines to a temperate defense of "proletarian internationalism," a term the Soviets use to mean the loyalty of each communist party to Moscow. Soviet speakers at the party congresses in Prague and Sofia had cited General Secretary Brezhnev's remarks on the duty of every Marxist-Leninist to defend "proletarian internationalism," but Suslov chose to return to Marx and the Communist Manifesto to support that term.

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[redacted] Suslov also predicted that the planned European communist party conference would make a major contribution to the defense of "proletarian internationalism."

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[redacted] Suslov's restrained remarks on the subject were in sharp contrast to his earlier public utterances. East German party chief Honecker the day before had been similarly cautious on that subject. They may have been seeking to reduce the chances for controversy during the final stages of preparations for the European communist party conference.

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[redacted] The failure of Suslov to use the sympathetic East German forum to launch a blistering attack on the West could be part of a broader attempt by Moscow to portray itself as reasonable and responsible. [redacted]

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USSR

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[redacted] The USSR has begun ordering equipment for the 22 compressor stations to be installed along the Orenburg gas pipeline. An Italian company, Nuovo Pignone, has been awarded a \$150-million contract to equip each of five stations [redacted]

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[redacted]

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[redacted]

[REDACTED]

[REDACTED] Because of the long negotiations for the compressors, we believe full operating capacity of the pipeline probably will not be attained until late 1980 or early 1981. The pipeline was scheduled to be completed in late 1978.

[REDACTED] The project is a much-publicized joint effort with the Soviets' CEMA partners. Bulgaria, Czechoslovakia, East Germany, Hungary, and Poland are all providing labor to lay the pipeline and build the compressor stations. In return for their participation, the CEMA countries will receive 15.5 billion cubic meters of gas annually.

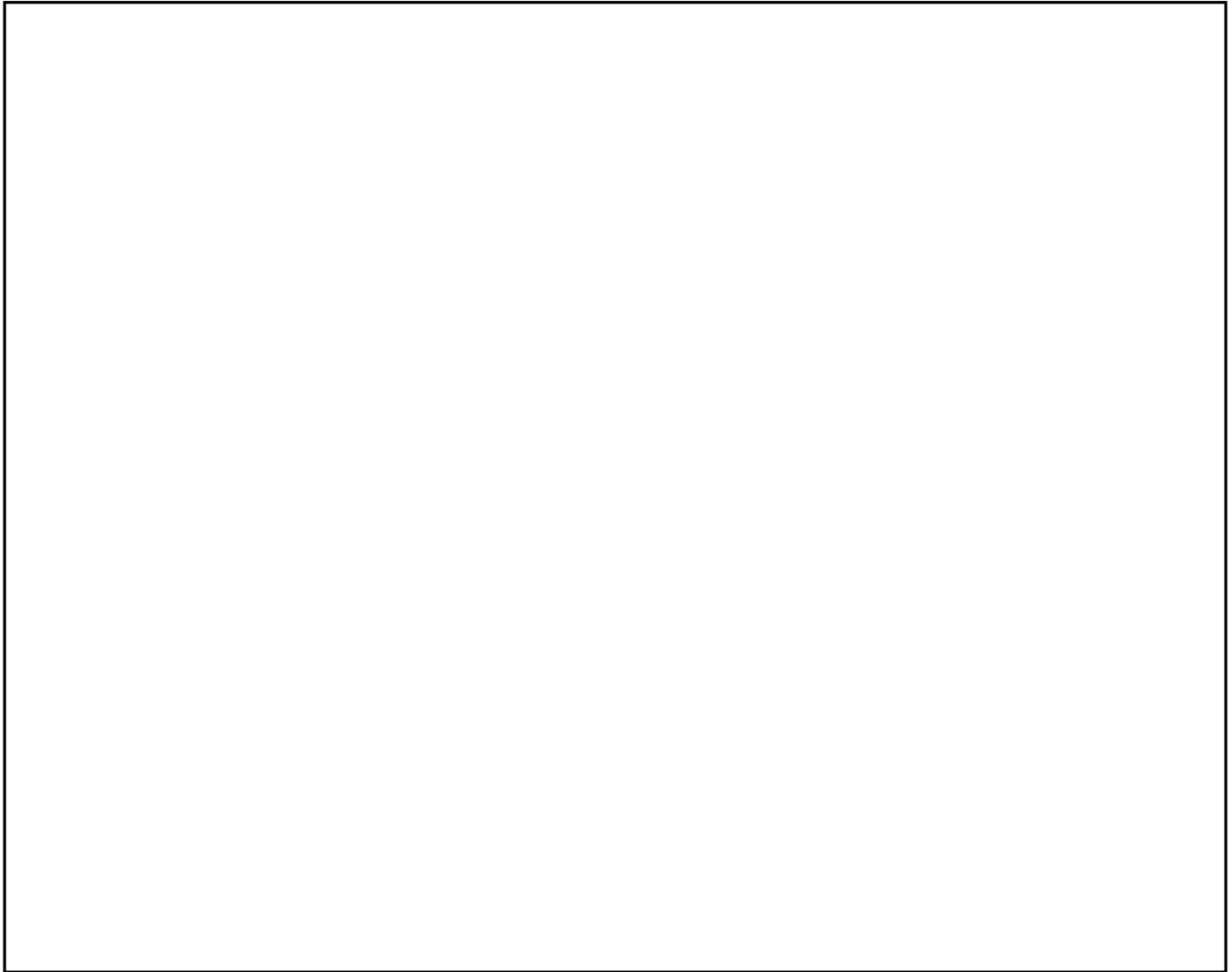
[REDACTED] Labor shortages at home, however, have forced the East European countries to halve their original commitments of laborers, once projected at 30,000. Further schedule slippage may result since the Soviets will have to assume most of the pipe-laying responsibility, and they are already hard-pressed to finish other pipeline projects.

[REDACTED] The Orenburg pipeline will stretch 2,750 kilometers (1,708 miles) from the large Orenburg natural gas field in the southern Urals to Uzhgorod at the Czechoslovak border. At full capacity, it will supply Europe with up to 29 billion cubic meters of gas annually.

[REDACTED] The East European countries--including Romania, which is not providing labor--are also helping to finance the project by granting the Soviets credit through CEMA's International Investment Bank.

[REDACTED] The Soviets, who have stated they would pay cash, apparently will use these loans to pay for the equipment now being ordered.


[REDACTED]

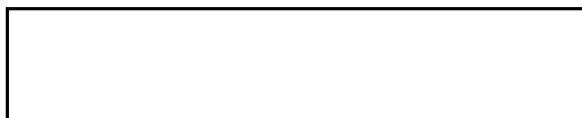


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ETHIOPIA

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 Ethiopia's ruling military council is encountering serious problems in its attempt to bring large numbers of armed peasants into Eritrea Province to lead the offensive against secessionist guerrillas.



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[REDACTED] Bridges have been destroyed on both major highways linking Eritrea with provinces in which the peasants are being recruited. Some of the bridges were blown up by the Eritrean insurgents; others were destroyed by peasants acting on their own or under the direction of dissident landowners who have been leading small-scale insurgencies in several of the northern provinces for over a year.

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[REDACTED] Some "volunteers" have refused to board trucks sent to transport them to Eritrea, and groups of peasants have jammed highways to prevent the vehicles' passage. Police in Tigre Province have sometimes refused to force the peasants off the roads. In Addis Ababa, some urban groups are refusing to comply with council orders to recruit a quota of 30 persons each to participate in the Eritrean offensive.

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ANGOLA-PORTUGAL

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[REDACTED] The Angolan government has broken diplomatic relations with Portugal and ordered all Portuguese diplomatic personnel to leave the country.

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[] Late last month, Luanda closed its main offices in Lisbon and threatened to break relations unless certain demands were met. These demands still have not been made public, but they doubtless included insistence on Portuguese measures to prevent a recurrence of the recent bombing of the Angolan office in the northern Portuguese city of Porto.

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[] Portuguese Foreign Minister Antunes, perhaps with the bombing in mind, blames rightists in Portugal for the current poor relations between Lisbon and Luanda. The Angolan decision may have been influenced by several articles in the Portuguese press critical of Angola.

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[] Angola earlier this month nationalized a number of Portuguese companies in Angola on grounds they had been abandoned by their Portuguese managers. []

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